



## SFH Guaranteed

## Underwriting System News

From the National Office in Washington DC

### Single Family Housing Guaranteed Underwriting System

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#### COLLECTION ACCOUNTS AND ANALYZING THE BORROWER'S CREDIT

Rural Development leaves it up to the lender to decide whether collection accounts be paid off as a condition of mortgage approval. This applies to GUS and manually underwritten loans.

Lenders must capture all liabilities (including collections) in the **Other Liabilities** section of GUS. If the borrower has agreed with the creditor to make regular and timely payments on the collection accounts and documentation is provided to the lender that the payments have been made in accordance with the agreement, the agreed upon monthly payment would be reflected under the **Monthly Payments** of the liability. If the lender determines that collection accounts may remain unpaid, the lender must document their reasons for approving the mortgage. The lender would check the liability as **Omit**. GUS provides a **Notes** section with each liability trade-line designed to capture the lender's basis for allowing the borrower's collection accounts and/or non-federal judgments to remain. The Notes section is a best practice to utilize in capturing the lender's reasons for approving a mortgage with collection accounts or non-federal judgments.

To accurately reflect all liabilities reported on the credit report, a recommended practice is the use of the Auto-Populate check located directly above the credit report request on the **Credit/Underwriting** page. Lenders would utilize this **before** liabilities have been manually entered on the loan application. Use of this feature will automatically copy liabilities from the credit report to the liabilities section of the **Asset/Liability** page.

The credit analysis is the responsibility of the lender. The lender is responsible to determine what collection accounts, if any, should be paid in full by the applicant prior to or at closing.

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